



**CARVER SCHWARZ MCNAB KAMPER & FORBES, LLC**  
ATTORNEYS AT LAW

SHERMAN STREET PLAZA  
1888 SHERMAN STREET, SUITE 400  
DENVER, COLORADO 80203

MAIN LINE: 303.893.1815  
FACSIMILE: 303.893.1829



JEFFREY W. SCHWARZ  
JSCHWARZ@CSMKF.COM  
303.893.0999

May 24, 2018

***VIA FEDERAL EXPRESS***

Chief, Environmental Enforcement Section  
Environment and Natural Resources Division  
U.S. Department of Justice  
601 D Street — Room 2121  
Washington, DC 20579  
Re: DOJ No. 90-5-2-110951

***VIA FEDERAL EXPRESS***

Air and Radiation Division  
EPA Region 5  
77 W. Jackson Blvd. (AE-17J)  
Chicago, IL 60604  
Attn: Compliance Tracker

***VIA CERTIFIED MAIL —  
RETURN RECEIPT REQUESTED***

Chief, Environmental Enforcement Section  
Environment and Natural Resources Division  
U.S. Department of Justice  
Box 7611 Ben Franklin Station  
Washington, DC 20044-7611  
Re: DOJ No. 90-5-2-110951

***VIA FEDERAL EXPRESS***

Office of Regional Counsel  
EPA Region 5  
77 West Jackson Blvd. (C-14J)  
Chicago, IL 60604

Re: United States of America v. Merit Energy Company, LLC  
U.S. District Court, Western District, Michigan, Southern Division  
Civil Action No. 1:15-vc-455  
DOJ Case No. 90-5-2-110951

***Notice of Intent to Transfer Consent Decree***

To whom it may concern:

Pursuant to Paragraphs 5 and 54 of the Consent Decree entered by order of the court on July 20, 2015 in the above captioned case, Merit Energy Company, LLC ("Merit") is notifying the United States Environmental Protection Agency, Region 5 ("EPA") and the United States Department of Justice ("DOJ") of Merit's intent to sell the Kalkaska Gas Plant in Kalkaska, Michigan to Lambda Energy Resources, LLC, having an address of 3889 Maple Avenue, Suite 600, Dallas Texas ("Lambda"). As indicated in the attached letter from counsel for Lambda, Merit has given Lambda written notice of the Consent Decree and provided Lambda a copy of the Consent Decree. The attached letter also confirms that Lambda will take the steps necessary

to ensure the technical aspects of the Consent Decree are implemented and that Lambda has the financial ability to assume the obligations and liabilities of the Consent Decree. Paragraph 6 of the Consent Decree provides that no earlier than thirty (30) days after this notice, Merit may file a motion to modify the Consent Decree with the Court to make the terms and conditions of the Consent Decree applicable to Lambda. Merit shall be released from the obligations and liabilities of the Consent Decree unless the United States opposes the motion and the Court finds that Lambda does not have the financial and technical ability to assume the obligations and liabilities of the Consent Decree.

With the consent of EPA and DOJ, our goal would be to represent a motion to transfer is unopposed by EPA and DOJ. I will be contacting EPA and DOJ subsequent to this notice to confer on next steps and the motion Merit will seek to file.

Thank you.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeffrey W. Schwarz".

Jeffrey W. Schwarz

CARVER SCHWARZ McNAB KAMPER &  
FORBES, LLC

Attorneys for Merit Energy Company, LLC

Attachment

May 24, 2018

**VIA ELECTRONIC MAIL ONLY**

Kat Lyles, Esq., Corporate Counsel  
Merit Energy Company, LLC  
13727 Noel Road, Suite 1200  
Tower 2  
Dallas, Texas 75240

Re: **Transfer of Consent Decree Obligations**  
United States of America v. Merit Energy Company, LLC  
Civil Action No. 1:15-cv-455

Dear Ms. Lyles:

This is to confirm that Lambda Energy Resources LLC ("Lambda") and Merit Energy Company, LLC ("Merit") have entered into a Purchase and Sale Agreement ("PSA") whereby Lambda has agreed to purchase, among other things, Merit's Kalkaska Gas Plant ("Plant") located in Kalkaska, Michigan. In anticipation of the sale, Merit notified Lambda of the existence of the Consent Decree in the above-captioned case and supplied Lambda with a copy of the Consent Decree, as required by Paragraph 5 thereof.

In satisfaction of Paragraph 6 of the Consent Decree, Lambda represents that it is and will be able to assume the technical obligations and liabilities of the Consent Decree. Specifically, Lambda will retain a qualified technical consultant to assist Lambda in meeting the enhanced leak detection and repair requirements and the other outstanding requirements of the Consent Decree from and after the date of closing of the Plant purchase ("Closing") through the termination of the Consent Decree as provided in Section XVI thereof. Furthermore, Lambda represents that it has the financial ability to assume the obligations and liabilities of the Consent Decree. Merit has informed Lambda that Merit has paid the monetary civil penalty imposed in Section IV of the Consent Decree and that Merit has incurred the following costs to meet the obligations of Section V of the Consent Decree, titled "Compliance Requirements": \$224,244 in 2016,<sup>1</sup> \$123,082 in 2017<sup>2</sup> and \$46,016 to date in 2018.<sup>3</sup> Lambda observes that these costs are within Lambda's expectations for operating the Plant and appear to be trending downward,

<sup>1</sup> This amount is comprised of \$134,508 for valve improvements and \$89,736 for consultant fees.

<sup>2</sup> This amount is comprised of \$67,295 for valve improvements and \$55,787 for consultant fees.

<sup>3</sup> This amount is comprised of \$21,727 for valve improvements and \$24,289 for consultant fees.

Kat Lyles, Esq.  
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which is consistent with Lambda's understanding of the nature of the Consent Decree requirements.

Lambda understands and agrees that Merit will provide a copy of this letter prior to Closing to the United States Environmental Protection Agency, Region 5, and the United States Department of Justice, as set forth in paragraph 54 of the Consent Decree, to facilitate the transfer of the Consent Decree obligations and liabilities from Merit to Lambda, as governed by Paragraph 6 of the Consent Decree. Lambda further agrees to make itself a party to any filing required to be made in the federal District Court in the Western District of Michigan in the above-captioned case to modify the Consent Decree so that the obligations and liabilities are transferred from Merit to Lambda.

Thank you for your assistance in this matter.

Sincerely yours,

A handwritten signature in cursive script, reading "Laura L. Whiting". The signature is written in dark ink and is positioned above the printed name and title.

Laura L. Whiting  
FOLEY GARDERE

Counsel to Lambda Energy Energy Resources LLC

cc: Jeffrey W. Schwarz, CSMKF  
Harry Faulkner, Lambda Energy Resources LLC